



PROSPECT CAPITAL CORPORATION

10 EAST 40th STREET • 42nd FLOOR • NEW YORK, NEW YORK 10016

July 28, 2017

BY FACSIMILE AND FEDERAL EXPRESS

Nucomer Energy, LLC  
558 West 6th Street, Suite 100  
Erie, Pennsylvania 16507  
Attention: Stephen D. Keys  
Telephone: 814-315-0333  
Facsimile: 814-455-5365  
Email: skeyes@nucomerenergy.com

Re: Herkimer Escrow Funds

Ladies and Gentlemen:

Reference is hereby made to each of the following:

- (i) the Confidential Unsold Assets Disposition Agreement dated and effective as of December 1, 2016 (the "CUADA") by and among Stryker Energy, LLC ("Stryker"), Nucomer Energy, LLC ("Nucomer"), Prospect Capital Corporation ("Prospect"), and ZB, N.A., as successor by merger to Amegy Bank National Association; and
- (ii) the Asset Purchase and Sale Agreement dated and effective as of December 1, 2016 (the "APSA") between Stryker and Nucomer.

All uppercase terms used but not otherwise defined herein have the meanings given to them in the CUADA or the APSA, as applicable.

Pursuant to Section 5(b) of the CUADA, Nucomer is required to promptly pay to Prospect \$86,853 from funds released to Nucomer from the Herkimer Escrow, in accordance with Nucomer's payments obligations set forth in the final paragraph of Section 2.4 of the APSA.

Pursuant to the final paragraph of Section 2.4 of the APSA, Nucomer is required to pay to Prospect the next \$86,853 received by Nucomer from the Herkimer Escrow, after first paying to Stryker the first \$50,000 received by Nucomer from the Herkimer Escrow (unless such latter amount has been received directly by Stryker from the Herkimer Escrow).

Section 5(b) of the CUADA also requires Nucomer to notify Prospect in writing promptly following each release of funds from the Herkimer Escrow, specifying the amount of each such release, until Nucomer pays to Prospect the full \$86,853 to which Prospect is entitled.

On March 10, 2017, the judge presiding in the bankruptcy case captioned *In re: Norse Energy Corp.*

USA, Case No. 12-13685B, pending in the United States Bankruptcy Court, Western District of New York, issued a signed Order authorizing the release of the funds in the Herkimer Escrow. Court filings in that case indicate that, shortly thereafter, approximately \$276,000 from the Herkimer Escrow was distributed to Nucomer.

Over the last four months, Prospect has repeatedly contacted Nucomer and its counsel, via both email and voicemail messages, seeking to confirm Nucomer's receipt of the Herkimer Escrow funds and the date upon which Nucomer would be making its contractually-required payments to Prospect. Until about one hour ago today, Nucomer has ignored Prospect's good-faith communications, in breach of Nucomer's obligations under the CUADA and the APSA. And, Mr. Holbrook's email sent today at 5:28 PM EDT simply indicates more delay – unacceptable given the many months that have already passed.

Prospect hereby demands that Nucomer immediately and in all events no later than August 4, 2017: (a) notify Prospect in writing of all distributions from the Herkimer Escrow that Nucomer has received, including the date and amount of each such distribution; and (b) pay to Prospect and Stryker the designated portions of the Herkimer Escrow funds that each such party is entitled to receive under the terms of the CUADA and the APSA.


In addition, pursuant to Section 5(a) of the CUADA, to the extent production revenue attributable to the Prospect ORRI for periods after the Effective Date is collected by or on behalf of Nucomer, Nucomer has a continuing obligation to pay the ORRI to Prospect. To date, in breach of its obligations under the CUADA, Nucomer has not made any ORRI payments to Prospect or provided Prospect with any information concerning the production revenue attributable to the Prospect ORRI.

Prospect hereby demands that Nucomer immediately and in all events no later than August 4, 2017: (a) pay to Prospect all production revenue attributable to the Prospect ORRI that has been collected by Nucomer and is attributable to periods after the Effective Date; and (b) provide Prospect with supporting documentation detailing, on a month-by-month basis, the production revenue attributable to the Prospect ORRI.

We remind you that, should the payments described above not be remitted to Prospect by the deadlines set forth above, interest at the applicable legal rate will continue to accrue and increase the amount Nucomer owes to Prospect, and Prospect reserves (i) its right to recoup all such interest, plus legal fees and costs associated with enforcing its rights, as well as (ii) all of Prospect's rights, remedies and privileges that it is entitled to exercise under the CUADA, the APSA, applicable law or otherwise.

Very truly yours,

PROSPECT CAPITAL CORPORATION

By   
Name: Jonathan J. Li, Esq.  
Title: Authorized Signatory

cc: Dennis Holbrook (email only)  
James Toohey (email only)  
Megan Peck (email only)